

DAVIS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10
Governmental Fund Financial Statements:	
C Balance Sheet	12-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	18-21
F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	22
Proprietary Fund Financial Statements:	
G Statement of Net Assets	23
H Statement of Revenues, Expenses, and Changes in Net Assets	24
I Statement of Cash Flows	25
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	26
Notes to Financial Statements	27-42
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	44-45
Budget to GAAP Reconciliation	46
Notes to Required Supplementary Information – Budgetary Reporting	47
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	50-51
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	52-53
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	54-57
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	58-61
5 Schedule of Changes in Fiduciary Assets and Liabilities – Law Enforcement Communications Fund	62
6 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	63
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	64-65
SCHEDULE OF FINDINGS	66-70

DAVIS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Steve Evans	Board of Supervisors	Jan. 2007
Max Leyda	Board of Supervisors	Jan. 2005
Max Proctor	Board of Supervisors	Jan. 2007
Goldie Rysdam	County Auditor	Jan. 2005
Rodger Simmons	County Treasurer	Jan. 2007
Louise Frymoyer	County Recorder	Jan. 2007
Monte Harsch	County Sheriff	Jan. 2005
Rick Lynch	County Attorney	Jan. 2007
Sheila Fite	County Assessor	Jan. 2004
(After January 2004)		
Steve Evans	Board of Supervisors	Jan. 2007
Max Leyda	Board of Supervisors	Jan. 2005
Max Proctor	Board of Supervisors	Jan. 2007
Goldie Rysdam	County Auditor	Jan. 2005
Rodger Simmons	County Treasurer	Jan. 2007
Louise Frymoyer	County Recorder	Jan. 2007
Monte Harsch	County Sheriff	Jan. 2005
Rick Lynch	County Attorney	Jan. 2007
Sheila Fite	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Davis County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Davis County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 14 to the financial statements, management has not recorded a full listing of capital assets, including buildings, improvements, equipment and infrastructure assets, in governmental activities and, accordingly, has not recorded depreciation expense on those assets. U.S. generally accepted accounting principles require those capital assets to be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities can not be reasonably determined.

In our opinion, because of the effects of the omission of a full capital asset listing as discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of Davis County as of June 30, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information of Davis County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 13 to the financial statements, during the year ended June 30, 2004, Davis County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2004 on our consideration of Davis County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 44 through 47 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Davis County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 21, 2004

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Basic Financial Statements

DAVIS COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,670,394
Receivables:	
Property tax:	
Delinquent	21,675
Succeeding year	2,446,792
Interest and penalty on property tax	15,342
Accounts	22,423
Accrued interest	4,684
Due from other governments	329,298
Inventories	237,941
Prepaid expenses	76,498
Capital assets, net of accumulated depreciation (note 4)	<u>1,683,443</u>
Total assets	<u>6,508,490</u>
Liabilities	
Accounts payable	314,614
Salaries and benefits payable	37,338
Due to other governments (note 5)	67,482
Accrued interest payable	1,335
Health claims payable	45,000
Deferred revenue:	
Succeeding year property tax	2,446,792
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Capital loan notes	16,500
Capital lease purchase agreements	11,768
Compensated absences	179,306
Portion due or payable after one year:	
Capital loan notes	16,500
Capital lease purchase agreements	<u>12,414</u>
Total liabilities	<u>3,149,049</u>

DAVIS COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 1,659,261
Restricted for:	
Supplemental levy purposes	131,264
Mental health purposes	355,190
Rural services	535,143
Secondary roads	214,906
Other special revenue purposes	105,048
Unrestricted	<u>358,629</u>
Total net assets	\$ <u><u>3,359,441</u></u>

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 642,425	\$ 57,701	\$ 20,528	\$ -	\$ (564,196)
Physical health and social services	217,720	2,781	19,642	-	(195,297)
Mental health	678,565	226	370,679	-	(307,660)
County environment and education	240,081	16,696	11,787	-	(211,598)
Roads and transportation	2,974,460	88,908	2,137,186	80,290	(668,076)
Government services to residents	226,127	134,434	36,899	-	(54,794)
Administration	603,238	59,659	2,000	-	(541,579)
Non-program	8,948	-	-	-	(8,948)
Interest on long-term debt	6,384	-	4,739	-	(1,645)
Capital projects	230,044	-	-	-	(230,044)
Total	\$ 5,827,992	\$ 360,405	\$ 2,603,460	\$ 80,290	(2,783,837)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,822,987
Mental health					394,737
Penalty and interest on property tax					44,608
State tax credits					146,474
Local option sales and services tax					253,954
Grants and contributions not restricted to a specific purpose					3,055
Unrestricted investment earnings					33,855
Miscellaneous					60,261
Total general revenues					2,759,931
Change in net assets					(23,906)
Net assets beginning of year, as restated (note 13)					3,383,347
Net assets end of year					\$ 3,359,441

See notes to financial statements.

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DAVIS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 349,224	\$ 442,415	\$ 275,980	\$ 387,166
Receivables:				
Property tax:				
Delinquent	10,615	3,747	7,313	-
Succeeding year	1,355,261	400,611	690,920	-
Interest and penalty on property tax	15,342	-	-	-
Accounts	21,900	-	-	-
Accrued interest	4,611	-	-	-
Due from other governments	59,995	1,606	-	253,501
Inventories	-	-	-	237,941
Prepaid expenses	27,971	-	-	48,527
Total assets	\$ <u>1,844,919</u>	\$ <u>848,379</u>	\$ <u>974,213</u>	\$ <u>927,135</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 90,767	\$ 1,545,552
-	21,675
-	2,446,792
-	15,342
523	22,423
73	4,684
14,196	329,298
-	237,941
-	76,498
<u>\$ 105,559</u>	<u>\$ 4,700,205</u>

DAVIS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 13,274	\$ 32,937	\$ 6,331	\$ 261,561
Salaries and benefits payable	-	-	-	37,338
Due to other governments (note 5)	7,841	59,641	-	-
Deferred revenue:				
Succeeding year property tax	1,355,261	400,611	690,920	-
Other	25,982	3,747	7,313	-
Total liabilities	<u>1,402,358</u>	<u>496,936</u>	<u>704,564</u>	<u>298,899</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	237,941
Prepaid expenses	27,971	-	-	48,527
Supplemental levy purposes	52,996	-	61,843	-
Unreserved, reported in:				
General fund	361,594	-	-	-
Special revenue funds	-	351,443	207,806	341,768
Total fund balances	<u>442,561</u>	<u>351,443</u>	<u>269,649</u>	<u>628,236</u>
Total liabilities and fund balances	<u>\$ 1,844,919</u>	<u>\$ 848,379</u>	<u>\$ 974,213</u>	<u>\$ 927,135</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 511	\$ 314,614
-	37,338
-	67,482
-	2,446,792
-	37,042
<u>511</u>	<u>2,903,268</u>
-	237,941
-	76,498
-	114,839
-	361,594
<u>105,048</u>	<u>1,006,065</u>
<u>105,048</u>	<u>1,796,937</u>
<u>\$ 105,559</u>	<u>\$ 4,700,205</u>

DAVIS COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds	\$ 1,796,937
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$2,051,931 and the accumulated depreciation is \$368,488.	1,683,443
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	37,042
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	79,842
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,335)
Long-term liabilities, including capital loan notes payable, capital lease purchase agreements payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(236,488)</u>
Net assets of governmental activities	<u>\$ 3,359,441</u>
See notes to financial statements	

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DAVIS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,370,058	\$ 393,986	\$ 702,650	\$ -
Interest and penalty on property tax	38,316	-	-	-
Intergovernmental	142,482	396,912	43,408	2,224,411
Licenses and permits	350	-	-	640
Charges for service	172,302	-	-	156
Use of money and property	95,912	-	-	592
Miscellaneous	13,653	226	-	89,602
Total revenues	<u>1,833,073</u>	<u>791,124</u>	<u>746,058</u>	<u>2,315,401</u>
Expenditures:				
Operating:				
Public safety and legal services	563,406	-	141,085	-
Physical health and social services	217,720	-	-	-
Mental health	-	678,565	-	-
County environment and education	115,896	-	101,475	-
Roads and transportation	-	-	-	3,027,803
Government services to residents	229,716	-	-	-
Administration	667,355	-	22,500	-
Non-program	8,948	-	-	-
Capital projects	-	-	-	361,631
Total expenditures	<u>1,803,041</u>	<u>678,565</u>	<u>265,060</u>	<u>3,389,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,032</u>	<u>112,559</u>	<u>480,998</u>	<u>(1,074,033)</u>
Other financing sources (uses):				
Compensation for loss of capital assets	3,124	-	-	-
Interfund transfers in	-	-	-	590,127
Interfund transfers out	(38,877)	-	(551,250)	-
Total other financing sources (uses)	<u>(35,753)</u>	<u>-</u>	<u>(551,250)</u>	<u>590,127</u>

Nonmajor Governmental		
Funds	Total	
\$ -	\$ 2,466,694	
-	38,316	
6,787	2,814,000	
-	990	
38,933	211,391	
17,068	113,572	
1,503	104,984	
64,291	5,749,947	
-	704,491	
-	217,720	
-	678,565	
29,256	246,627	
-	3,027,803	
-	229,716	
-	689,855	
-	8,948	
200	361,831	
29,456	6,165,556	
34,835	(415,609)	
-	3,124	
-	590,127	
-	(590,127)	
-	3,124	

DAVIS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ (5,721)	\$ 112,559	\$ (70,252)	\$ (483,906)
Fund balances beginning of year, as restated (note 13)	448,282	238,884	339,901	1,112,142
Fund balances end of year	\$ <u>442,561</u>	\$ <u>351,443</u>	\$ <u>269,649</u>	\$ <u>628,236</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total
\$	34,835	\$ (412,485)
	70,213	2,209,422
\$	<u>105,048</u>	<u>\$ 1,796,937</u>

DAVIS COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (412,485)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

Capital outlays	\$ 282,206	
Depreciation expense	<u>(55,309)</u>	226,897

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

Property tax	11,276
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Repayment of note and capital lease purchase principal is an expenditure in
the governmental funds, but the repayment reduces long-term liabilities
in the statement of net assets. 41,477

Payments by other entities to retire capital loan notes are not recorded in
governmental funds. However, the payments are recorded as
miscellaneous revenues in governmental activities to offset the
long-term liability retired. 35,000

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Compensated absences	(339)	
Interest on long-term debt	<u>722</u>	383

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities.

73,546

Change in net assets of governmental activities \$ (23,906)

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>124,842</u>
Liabilities	
Health claims payable	<u>45,000</u>
Net Assets	
Unrestricted	\$ <u><u>79,842</u></u>
See notes to financial statements.	

DAVIS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds	\$ 561,717
Miscellaneous	<u>1,351</u>
Total operating revenues	<u>563,068</u>
Operating expenses:	
Medical claims	290,094
Stop-loss insurance premiums	178,181
Insurance premiums	4,034
Administrative fees	11,302
Miscellaneous	<u>5,988</u>
Total operating expenses	<u>489,599</u>
Operating income	73,469
Non-operating revenues:	
Interest on investments	<u>77</u>
Net income	73,546
Net assets beginning of year	<u>6,296</u>
Net assets end of year	<u>\$ 79,842</u>

See notes to financial statements.

DAVIS COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to other funds	\$ 561,717
Cash received for other purposes	1,351
Cash payments for medical claims	(290,094)
Cash payments for other fees and services	<u>(199,505)</u>
Net cash provided by operating activities	<u>73,469</u>
Cash flows from investing activities:	
Interest on investments	<u>77</u>
Net increase in cash and cash equivalents	73,546
Cash and cash equivalents at beginning of year	<u>51,296</u>
Cash and cash equivalents at end of year	<u>\$ 124,842</u>
See notes to financial statements.	

DAVIS COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

Assets	
Cash and pooled investments:	
County Treasurer	\$ 453,621
Other County officials	22,583
Receivables:	
Property tax:	
Delinquent	41,272
Succeeding year	4,888,298
Accounts	13,126
Accrued interest	<u>21</u>
Total assets	<u>5,418,921</u>
Liabilities	
Accounts payable	43,950
Salaries and benefits payable	6,207
Due to other governments (note 5)	5,367,539
Trusts payable	<u>1,225</u>
Total liabilities	<u>5,418,921</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Davis County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board except as discussed in note 14.

A. Reporting Entity

For financial reporting purposes, Davis County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Davis County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Davis County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Davis County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Davis County Assessor's Conference Board, Davis County Joint E-911 Service Board, and Davis County Law Enforcement Communications Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 150,000
Buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	5-40
Infrastructure	10-65
Equipment	5-20
Vehicles	5

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 38,877
	Special Revenue: Rural Services	<u>551,250</u>
		\$ <u><u>590,127</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,040,791	\$ -	\$ -	\$ 1,040,791
Construction in progress	-	131,787	-	131,787
Total capital assets not being depreciated	<u>1,040,791</u>	<u>131,787</u>	<u>-</u>	<u>1,172,578</u>
Capital assets being depreciated:				
Buildings	766,978	72,135	180,728	658,385
Machinery and equipment	248,584	78,284	105,900	220,968
Total capital assets being depreciated	<u>1,015,562</u>	<u>150,419</u>	<u>286,628</u>	<u>879,353</u>
Less accumulated depreciation for:				
Buildings	414,137	22,101	180,728	255,510
Machinery and equipment	185,670	33,208	105,900	112,978
Total accumulated depreciation	<u>599,807</u>	<u>55,309</u>	<u>286,628</u>	<u>368,488</u>
Total capital assets being depreciated, net	<u>415,755</u>	<u>95,110</u>	<u>-</u>	<u>510,865</u>
Governmental activities capital assets, net	<u>\$ 1,456,546</u>	<u>\$ 226,897</u>	<u>\$ -</u>	<u>\$ 1,683,443</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 18,023
County environment and education	1,318
Roads and transportation	10,000
Government services to residents	6,953
Administration	<u>19,015</u>
Total depreciation expense - governmental activities	<u>\$ 55,309</u>

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
General	Services	\$ 7,841	\$ -	\$ 7,841
Special Revenue: Mental Health	Services	59,641	-	59,641
Total for governmental funds		<u>\$ 67,482</u>	<u>\$ -</u>	<u>\$ 67,482</u>
Agency:				
County Assessor	Collections	\$ 85,320	\$ 157,789	\$ 243,109
Schools		57,769	2,928,055	2,985,824
Area Schools		3,507	169,227	172,734
Corporations		14,694	792,515	807,209
Auto License and Use Tax		137,298	-	137,298
County Hospital		13,576	679,680	693,256
All Other		125,805	202,304	328,109
Total for agency funds		<u>\$ 437,969</u>	<u>\$ 4,929,570</u>	<u>\$ 5,367,539</u>

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Loan Notes	Capital Lease Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ 98,000	\$ 35,659	\$ 178,967	\$ 312,626
Increases	33,000	-	179,306	212,306
Decreases	98,000	11,477	178,967	288,444
Balance end of year	<u>\$ 33,000</u>	<u>\$ 24,182</u>	<u>\$ 179,306</u>	<u>\$ 236,488</u>
Due within one year	<u>\$ 16,500</u>	<u>\$ 11,768</u>	<u>\$ 179,306</u>	<u>\$ 207,574</u>

Capital Loan Notes Payable

Davis County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note agreement. Each member county issued \$230,000 General Obligation Capital Loan Notes on May 1, 1991 to SIADSA, which secured \$2,300,000 of Capital Loan Notes issued by SIADSA. On May 1, 2004, \$330,000 of general obligation capital loan notes were issued to call the May 1, 1991 issue on June 1, 2004. SIADSA also contributed \$140,000 of reserve funds to reduce the principal amount. Each county's share in the remaining debt is 10%. The County is responsible for paying principal and interest on its share of the debt when SIADSA's revenue is insufficient to cover such debt payments. As of the current fiscal year, the County has not yet been required to pay any share of the debt.

A summary of the County's June 30, 2004 general obligation capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2005	2.0 %	\$ 16,500	\$ 715
2006	2.0	<u>16,500</u>	<u>330</u>
		<u>\$ 33,000</u>	<u>\$ 1,045</u>

During the year ended June 30, 2004, the County retired \$30,000 of capital loan notes, \$35,000 was retired by other entities as described above, and \$33,000 was retired by the issuance of refunding capital loan notes as described above.

DAVIS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement for new computer equipment. The following is a schedule of future payments, including interest of 5.483% per annum:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 11,768	\$ 1,326	\$ 13,094
2006	12,414	680	13,094
	<u>\$ 24,182</u>	<u>\$ 2,006</u>	<u>\$ 26,188</u>

Note 7. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$95,259, \$93,246, and \$93,264, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Davis County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 8. Risk Management (continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$93,476.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 9. Employee Health Insurance Plan

The Davis County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County purchases commercial insurance to provide for aggregate stop loss coverage for the excess of 125% of estimated claims for the plan year and specific stop loss insurance coverage for the excess of \$20,000 in insured claims for any one covered individual. The County assumes liability for claims up to the individual stop loss limitation.

Monthly payments of service fees and plan contributions to the Davis County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Davis County Employee Group Health Fund. The County records the plan assets and related liabilities of the Davis County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$561,717.

Amounts payable from the Davis County Employee Group Health Fund at June 30, 2004 total \$45,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$79,842 at June 30, 2004 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2003	\$ <u>45,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2004):	
Current year events	305,048
Prior year events	<u>(14,954)</u>
Total incurred claims	<u>290,094</u>
Payments:	
Current year events	260,048
Prior year events	<u>30,046</u>
Total payments	<u>290,094</u>
Unpaid claims at June 30, 2004	\$ <u><u>45,000</u></u>

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 10. County Care Facility

The management and operation of the Davis County Care Facility is provided by ResCare, Inc. The County leases the Care Facility site to ResCare, Inc. under an agreement whereby the County is to reimburse ResCare, Inc. monthly for service provided on a per patient basis. ResCare, Inc. is responsible for normal operating and maintenance costs. The County is responsible for major repairs to the facility and equipment. ResCare, Inc. pays the County a monthly fee based on Intermediate Care Facility resident days and Resident Care Facility resident days.

The lease was extended in July 2002 for a term of 36 months until June 30, 2005.

Note 11. Construction Commitment

The County has entered into a contract totaling \$306,857 for bridge construction. As of June 30, 2004, costs of \$131,787 have been incurred against the contract. The balance remaining at June 30, 2004 of \$175,070 will be paid as work on the project progresses.

Note 12. Subsequent Event

On November 1, 2004, the County entered into a contract totaling \$248,924 for bridge construction.

Note 13. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

DAVIS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 13. Accounting Change (continued)

The government-wide financial statements report the County's governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ 2,190,587
GASB Interpretation 6 adjustments	<u>18,835</u>
Net assets, July 1, 2003, as restated for governmental funds	2,209,422
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$599,807	1,456,546
Long-term liabilities:	
Notes	(98,000)
Capital lease purchases	(35,659)
Compensated absences	(178,967)
Internal service fund	6,296
Accrued interest payable	(2,057)
Deferral of long-term assets	<u>25,766</u>
Net assets, July 1, 2003, as restated	<u>\$ 3,383,347</u>

Note 14. Capital Assets

The County does not have a complete listing of capital assets and the related depreciation, as required by U.S. generally accepted accounting principles. This was required by the County's implementation date of June 30, 2004, for Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Capital assets are required to be included in the governmental activities of the County. The County did not include any Secondary Roads equipment or infrastructure or the related depreciation.

Required Supplementary Information

DAVIS COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted	Net
RECEIPTS:			
Property and other County tax	\$ 2,424,012	\$ -	\$ 2,424,012
Interest and penalty on property tax	38,316	-	38,316
Intergovernmental	2,724,134	-	2,724,134
Licenses and permits	965	-	965
Charges for service	189,798	-	189,798
Use of money and property	114,011	40	113,971
Miscellaneous	80,658	1,503	79,155
Total receipts	<u>5,571,894</u>	<u>1,543</u>	<u>5,570,351</u>
DISBURSEMENTS:			
Public safety and legal services	713,723	-	713,723
Physical health and social services	209,101	-	209,101
Mental health	711,126	-	711,126
County environment and education	244,923	-	244,923
Roads and transportation	2,848,529	-	2,848,529
Government services to residents	231,833	-	231,833
Administration	698,101	-	698,101
Non-program	15,197	-	15,197
Capital projects	351,581	200	351,381
Total disbursements	<u>6,024,114</u>	<u>200</u>	<u>6,023,914</u>
Excess (deficiency) of receipts over (under) disbursements	(452,220)	1,343	(453,563)
Other financing sources, net	<u>3,124</u>	<u>-</u>	<u>3,124</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(449,096)	1,343	(450,439)
Balance beginning of year	<u>1,994,648</u>	<u>8,170</u>	<u>1,986,478</u>
Balance end of year	<u>\$ 1,545,552</u>	<u>\$ 9,513</u>	<u>\$ 1,536,039</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 2,199,077	\$ 2,199,077	\$ 224,935
39,924	39,924	(1,608)
3,095,896	3,131,598	(407,464)
850	850	115
64,386	64,386	125,412
121,166	124,166	(10,195)
198,731	217,035	(137,880)
<u>5,720,030</u>	<u>5,777,036</u>	<u>(206,685)</u>
802,204	840,743	127,020
262,488	273,488	64,387
829,000	829,000	117,874
255,305	276,257	31,334
2,425,000	2,984,676	136,147
283,726	283,726	51,893
785,060	798,060	99,959
20,000	29,000	13,803
479,685	479,685	128,304
<u>6,142,468</u>	<u>6,794,635</u>	<u>770,721</u>
(422,438)	(1,017,599)	564,036
<u>-</u>	<u>-</u>	<u>3,124</u>
(422,438)	(1,017,599)	567,160
<u>1,609,700</u>	<u>1,986,477</u>	<u>1</u>
<u>\$ 1,187,262</u>	<u>\$ 968,878</u>	<u>\$ 567,161</u>

DAVIS COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,571,894	\$ 178,053	\$ 5,749,947
Expenditures	6,024,114	141,442	6,165,556
Net	(452,220)	36,611	(415,609)
Other financing sources	3,124	-	3,124
Beginning fund balances, as restated	1,994,648	214,774	2,209,422
Ending fund balances	<u>\$ 1,545,552</u>	<u>\$ 251,385</u>	<u>\$ 1,796,937</u>

See accompanying independent auditor's report.

DAVIS COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$652,167. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for the E-911 System by the Joint E-911 Service Board.

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Other Supplementary Information

DAVIS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	REAP	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 8,582	\$ 22,707	\$ 16,882	\$ 33,083
Receivables:				
Accounts	523	-	-	-
Accrued interest	5	41	14	-
Due from other governments	-	14,196	-	-
Total assets	<u>\$ 9,110</u>	<u>\$ 36,944</u>	<u>\$ 16,896</u>	<u>\$ 33,083</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 511
Fund equity:				
Fund balances:				
Unreserved	<u>9,110</u>	<u>36,944</u>	<u>16,896</u>	<u>32,572</u>
Total liabilities and fund equity	<u>\$ 9,110</u>	<u>\$ 36,944</u>	<u>\$ 16,896</u>	<u>\$ 33,083</u>

See accompanying independent auditor's report.

<u> </u>	
<u>Drainage</u>	
<u>District</u>	<u>Total</u>
\$ 9,513	\$ 90,767
-	523
13	73
-	14,196
<u>\$ 9,526</u>	<u>\$ 105,559</u>

\$ - \$ 511

9,526 105,048

\$ 9,526 \$ 105,559

DAVIS COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	REAP	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 6,787	\$ -
Charges for service	2,048	36,885	-	-
Use of money and property	39	59	221	16,696
Miscellaneous	-	-	-	-
Total revenues	<u>2,087</u>	<u>36,944</u>	<u>7,008</u>	<u>16,696</u>
Expenditures:				
Operating:				
County environment and education	-	-	11,372	17,884
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>11,372</u>	<u>17,884</u>
Excess (deficiency) of revenues over (under) expenditures	2,087	36,944	(4,364)	(1,188)
Fund balances beginning of year	<u>7,023</u>	<u>-</u>	<u>21,260</u>	<u>33,760</u>
Fund balances end of year	<u>\$ 9,110</u>	<u>\$ 36,944</u>	<u>\$ 16,896</u>	<u>\$ 32,572</u>

See accompanying independent auditor's report.

<hr/>	
<u>Drainage District</u>	<u>Total</u>
\$ -	\$ 6,787
-	38,933
53	17,068
1,503	1,503
<u>1,556</u>	<u>64,291</u>
-	29,256
200	200
<u>200</u>	<u>29,456</u>
1,356	34,835
<u>8,170</u>	<u>70,213</u>
\$ <u>9,526</u>	\$ <u>105,048</u>

DAVIS COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,320
Other County officials	1,223	19,803	1,557	-
Receivables:				
Property tax:				
Delinquent	-	-	-	628
Succeeding year	-	-	-	66,652
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 1,223</u>	<u>\$ 19,803</u>	<u>\$ 1,557</u>	<u>\$ 68,600</u>
LIABILITIES				
Accounts payable	\$ 25	\$ 15,295	\$ 1,512	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	4,508	18	68,600
Trusts payable	1,198	-	27	-
Total liabilities	<u>\$ 1,223</u>	<u>\$ 19,803</u>	<u>\$ 1,557</u>	<u>\$ 68,600</u>

<u>County Assessor</u>	<u>Law Enforcement Communications</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 85,320	\$ 29,881	\$ 57,769	\$ 3,507	\$ 14,694	\$ 2,606	\$ 18
-	-	-	-	-	-	-
1,534	-	27,078	1,657	2,810	1,167	8
156,255	-	2,900,977	167,570	789,705	132,960	889
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 243,109</u>	<u>\$ 29,881</u>	<u>\$ 2,985,824</u>	<u>\$ 172,734</u>	<u>\$ 807,209</u>	<u>\$ 136,733</u>	<u>\$ 915</u>
\$ -	\$ 1,891	\$ -	\$ -	\$ -	\$ -	\$ -
-	6,207	-	-	-	-	-
243,109	21,783	2,985,824	172,734	807,209	136,733	915
-	-	-	-	-	-	-
<u>\$ 243,109</u>	<u>\$ 29,881</u>	<u>\$ 2,985,824</u>	<u>\$ 172,734</u>	<u>\$ 807,209</u>	<u>\$ 136,733</u>	<u>\$ 915</u>

DAVIS COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	Auto License and Use Tax	County Hospital	County Watershed	E-911
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 142,649	\$ 13,576	\$ 73,195	\$ 29,086
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	6,390	-	-
Succeeding year	-	673,290	-	-
Accounts	-	-	-	12,365
Accrued interest	-	-	-	21
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 142,649</u>	<u>\$ 693,256</u>	<u>\$ 73,195</u>	<u>\$ 41,472</u>
LIABILITIES				
Accounts payable	\$ 5,351	\$ -	\$ -	\$ 19,876
Salaries and benefits payable	-	-	-	-
Due to other governments	137,298	693,256	73,195	21,596
Trusts payable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 142,649</u>	<u>\$ 693,256</u>	<u>\$ 73,195</u>	<u>\$ 41,472</u>

See accompanying independent auditor's report.

County Recorder's Electronic		
<u>Transaction Fee</u>		<u>Total</u>
\$	-	\$ 453,621
	-	22,583
	-	41,272
	-	4,888,298
761		13,126
	-	21
<u>\$ 761</u>		<u>\$ 5,418,921</u>
\$	-	\$ 43,950
	-	6,207
761		5,367,539
	-	1,225
<u>\$ 761</u>		<u>\$ 5,418,921</u>

DAVIS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 1,216	\$ 18,409	\$ 1,888	\$ 68,727
Additions:				
Property and other County tax	-	-	-	66,075
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	4,394
Office fees and collections	350	136,607	46,533	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	7	-	70,358	-
Miscellaneous	-	-	-	-
Total additions	357	136,607	116,891	70,469
Deductions:				
Agency remittances:				
To other funds	350	62,309	45,698	-
To other governments	-	72,904	243	70,596
Trusts paid out	-	-	71,281	-
Total deductions	350	135,213	117,222	70,596
Balances end of year	\$ 1,223	\$ 19,803	\$ 1,557	\$ 68,600

<u>County Assessor</u>	<u>Law Enforcement Communications</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 228,699	\$ 20,007	\$ 2,993,530	\$ 182,104	\$ 841,139	\$ 129,635	\$ 917
154,875	-	2,875,378	166,064	780,068	132,435	881
-	-	-	-	-	-	-
10,736	-	191,183	11,604	56,222	7,868	59
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,129	282,458	-	-	3,356	-	-
166,740	282,458	3,066,561	177,668	839,646	140,303	940
-	-	-	-	-	-	-
152,330	272,584	3,074,267	187,038	873,576	133,205	942
-	-	-	-	-	-	-
152,330	272,584	3,074,267	187,038	873,576	133,205	942
\$ 243,109	\$ 29,881	\$ 2,985,824	\$ 172,734	\$ 807,209	\$ 136,733	\$ 915

DAVIS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	County Hospital	County Watershed
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 147,410	\$ -	\$ 697,764	\$ 72,754
Additions:				
Property and other County tax	-	-	667,936	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	44,737	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,648,898	264	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	12,000
Total additions	1,648,898	264	712,673	12,000
Deductions:				
Agency remittances:				
To other funds	61,913	-	-	-
To other governments	1,591,746	264	717,181	11,559
Trusts paid out	-	-	-	-
Total deductions	1,653,659	264	717,181	11,559
Balances end of year	\$ 142,649	\$ -	\$ 693,256	\$ 73,195

See accompanying independent auditor's report.

<u>E-911</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ <u>48,688</u>	\$ <u>-</u>	\$ <u>5,452,887</u>
-	-	4,843,712
49,422	-	49,422
-	-	326,803
-	10,218	193,708
-	-	1,649,162
-	-	70,365
3,134	-	302,077
<u>52,556</u>	<u>10,218</u>	<u>7,435,249</u>
-	-	170,270
59,772	9,457	7,227,664
-	-	71,281
<u>59,772</u>	<u>9,457</u>	<u>7,469,215</u>
\$ <u><u>41,472</u></u>	\$ <u><u>761</u></u>	\$ <u><u>5,418,921</u></u>

DAVIS COUNTY
LAW ENFORCEMENT COMMUNICATIONS FUND
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year Ended June 30, 2004

Additions:

Contributions from other governmental units:

Davis County	\$	141,085	
City of Bloomfield		<u>141,085</u>	\$ 282,170
Miscellaneous			<u>288</u>
			<u>282,458</u>

Deductions:

Salaries	151,168	
Benefits	77,173	
Office supplies	3,815	
Training	2,737	
Utilities	15,379	
Equipment and supplies	17,483	
Building repair	3,578	
Miscellaneous	<u>1,251</u>	<u>272,584</u>

Net 9,874

Balance beginning of year 20,007

Balance end of year \$ 29,881

See accompanying independent auditor's report.

DAVIS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 2,466,694	\$ 2,168,645	\$ 2,005,648	\$ 2,030,116
Interest and penalty on property tax	38,316	44,547	39,925	35,052
Intergovernmental	2,814,000	3,163,781	2,971,308	3,058,297
Licenses and permits	990	1,065	2,703	1,955
Charges for service	211,391	129,145	127,197	121,735
Use of money and property	113,572	126,689	122,422	227,731
Fines, forfeitures and defaults	-	-	1,232	742
Miscellaneous	104,984	119,167	164,002	108,150
Total	<u>\$ 5,749,947</u>	<u>\$ 5,753,039</u>	<u>\$ 5,434,437</u>	<u>\$ 5,583,778</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 704,491	\$ 649,625	\$ 618,151	\$ 618,067
Physical health and social services	217,720	184,250	240,344	221,223
Mental health	678,565	806,038	785,515	891,088
County environment and education	246,627	238,248	160,781	169,031
Roads and transportation	3,027,803	2,168,179	2,522,321	2,725,324
Government services to residents	229,716	224,602	221,792	194,053
Administration	689,855	665,728	665,042	660,969
Non-program	8,948	26,099	33,486	20,685
Capital projects	361,831	740,683	274,073	233,318
Total	<u>\$ 6,165,556</u>	<u>\$ 5,703,452</u>	<u>\$ 5,521,505</u>	<u>\$ 5,733,758</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Davis County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position and cash flows, were applicable, of Davis County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 21, 2004. The report on governmental activities was adverse due to the omission of a total listing of capital assets and related depreciation. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Davis County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Davis County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County and other parties to whom Davis County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 21, 2004

DAVIS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff, Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

DAVIS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-04 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The internal control in processing mail, receipts, claims and payroll will be reviewed and evaluated for propriety. The Auditor will evaluate the assignment of personnel in each process and determine if an alternative method would enhance internal controls.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

DAVIS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any of the ten County functions.
- II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-J-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that not all of the council minutes were signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – All council minutes should be signed to comply with Chapter 176A.14(3) of the Code of Iowa.

DAVIS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-J-04 County Extension Office (continued)

Response – We will properly sign all council minutes in the future.

Conclusion – Response accepted.

II-K-04 Debt Service Payments – We noted that payments of principal and interest for the County’s capital loan note and capital lease purchase agreement were made through the Administration function rather than the Debt Service function.

Recommendation – All payments on long-term debt such as capital loan notes and capital lease purchase agreements should be budgeted and paid through the Debt Service function of the County to more properly reflect the true functional expenditure totals.

Response – We will properly make all debt service payments through the Debt Service function in the future.

Conclusion – Response accepted.

II-L-04 Transfers – The maximum allowable transfer between the Rural Services Fund and the Secondary Roads Fund was exceeded by \$428 during the year ended June 30, 2004.

Recommendation – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfer from the Rural Services Fund to the Secondary Roads Fund. The County should watch this amount closely to comply with the maximum allowable transfer.

Response – This was a miscalculation this year. We will be more careful in the calculation of the allowable transfer in the future.

Conclusion – Response accepted.

II-M-04 Local Option Sales and Services Tax – The County recorded the local option sales and services tax (LOSST) revenues in the General Fund, not in the Rural Services Fund as required by the LOSST ballot and resolution.

Recommendation – The County should make a corrective transfer of \$253,954 from the General Fund to the Rural Services Fund for the LOSST revenues for the year ended June 30, 2004. All future LOSST revenues should be recorded in the Rural Services Fund.

Response – We will make the required corrective transfer from the General Fund to the Rural Services Fund. We will properly record all future LOSST revenues in the Rural Services Fund.

Conclusion – Response accepted.

DAVIS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-N-04 Property and Equipment Records – The County has compiled a partial list of capital assets and the related depreciation. This list does not include any Secondary Roads Fund equipment or infrastructure.

Recommendation – We recommend that complete property and equipment records with the related depreciation be developed. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records.

Response – We are working on a complete listing of capital assets with depreciation.

Conclusion – Response accepted.

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